East Sussex Pension Fund

# Environmental, Social & Governance Statement

**Voting and engagement report**

**Q3 2024**

**1 July – 30 September 2024**

# Executive summary

**Responsible Investment ("RI") is a subject that the East Sussex Pension Fund's (ESPF or the Fund) Pension Committee ("the Committee") take seriously. Environmental, social and governance factors are considered throughout the Committee's decision-making process.**

**This report sets out voting and engagement activity carried out during the last quarter.**

## Investment strategy

Generating sustainable long term investment returns is the Fund's primary objective and it does so by investing across a range of asset classes such as equities, bonds, property, and infrastructure using both active and passive management styles. Asset allocation is expected to be the Fund's main driver of returns and risk over the long term. The Fund's Investment Strategy Statement describes the high-level principles governing the investment decision-making and management of the Fund.

The Fund believe that Responsible Investment (RI) supports the purpose of the Scheme – the provision of retirement income for individuals. RI is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and to generate sustainable, long-term returns.

## Investment managers

The Fund uses mostly active managed strategies, with the Committee seeking to achieve a balance between cost and return. Active and passive managers have a duty to act as responsible investors and are expected to act as good stewards for the companies they invest in or lend to.

All the Funds' managers are required to report their engagement activity on a regular basis and exercise the voting rights in relation to the Funds' investments as far as practical. This report summarises those activities.

## Policies and approach

The Fund have policies detailing our Investment Strategy and approach to Responsible Investment. These policies are available on the Fund's website.

## Collaboration

The Fund believes a philosophy of engagement is the most effective approach in addressing ESG concerns and driving long lasting change. To be effective, it is best done in conjunction with other parties. Participation in collaborative engagements enables the Fund to increase its ability to influence positive action among the companies it invests in. By utilizing combined size of investors' assets makes it harder for companies to dismiss our concerns and does accelerate those companies targeted with making meaningful change to their business practices such as their transition to a sustainable pathway.

# East Sussex Pension Fund Engagement

## East Sussex Pension Fund Commitments

As an advocate of responsible investment, the Fund is a member of the following organisations:

- Institutional Investors Group on Climate Change (IIGCC)
- Local authority Pension Fund Forum (LAPFF)
- Principles for Responsible Investment (PRI)
- Pensions for Purpose
- UK Sustainable Investment and Finance Association (UKSIF)

In addition, the Fund has committed to reporting under the following initiatives:

- Financial Reporting Council (FRC) Stewardship Code 2020
- Taskforce on Climate Related Financial Disclosure (TCFD).

In addition to being members of these groups the Fund demonstrates is commitment to RI by actively participating via representation in:

- LAPFF Officer Member of LAPFF Executive
- Membership of the IIGCC Corporate Programme Advisory Group

The Funds' Investment Managers will also have a number of memberships which are shown in the report below.

East Sussex Pension Fund

## LAPFF Engagement Activity

All engagement activities completed in Q3 2024 through LAPFF are available here

### Sample engagement updates

### BP & Shell

**Objective:** During continued engagement with Shell and BP, LAPFF's approach has remained to test oil and gas companies beyond claims of decarbonisation based on existing business models to challenge the viability of the current business. This expectation, based on LAPFF policy, is that the demand for hydrocarbons will 1) reduce in aggregate terms; and2) that demand will be met by lowest cost producers.
BP has been regarded as at the better end of the sector in recognising climate change as an issue but faces the same competitive and structural pressures above from what is a disruptive transition due to disruptive alternative technologies. The war in Ukraine has increased governments' focus on less reliance on fossil fuels on energy security and price volatility grounds.
What seems to be an inevitable shrinkage in the sector, not matched by growth from elsewhere supports the argument for more cash returns - not buybacks - to shareholders instead.

**Achieved Shell:** From meeting the then new Chair of Shell in 2023, LAPFF believes that the position holds that the company is better run from the top, as the Chair has a more realistic grasp of the issues at stake regarding decarbonisation and is a plainer communicator and more realistic.
As an example, there is less emphasis on "nature based solutions" (i.e. planting trees) as the IPCC regards that as necessary for hard to abate sectors, not fossil fuel companies.
LAPFF has previously questioned the extent to which its climate change strategy has been sufficiently integrated into business planning and financing. LAPFF was therefore pleased that there has been restructuring and the energy transition work and corporate strategy now reports to the CFO.
Shell has said that it cannot make the investment case for renewables. That is not in itself unreasonable but does support the argument for more cash returns to shareholders instead.

**Achieved BP:** With regards to BP, LAPFF has noted some rowing back from their 2023 carbon reduction targets. Although BP has made some commitment to investment in renewables, and is stating the supply of power for electric vehicles is a growth area, it does appear that the company has substantial threats to its business model regarding the scope of no-carbon products that would fully replace the scale of the fossil fuel business, and that expectation of more cash returns to shareholders should be more clearly set out.
To understand the company's approach, this quarter LAPFF met with the company's new CEO, Murray Auchincloss. In what was a useful and informative discussion, the company outlined how it was seeking to transition the business, and the scope for scaling up revenues from hydrogen, wind power, biofuels and electric vehicles. The company set out major projects it was seeking to undertake, including a hydrogen and CCS hub in Teesside. The company also discussed how it planned to fund investment in transition initiatives and manage associated financial risks. On the issue of targets, discussion included the pace of the transition, including moving in line with national expectations

**In Progress Shell:** A meeting with the Shell Chair is pending. LAPFF continues to challenge whether Carbon Capture and Storage can be made to work as a line of business, given that the costs involved make it a last resort if cheaper substitute energy sources are not possible. Developments in aviation fuels and biofuels need to be examined in more detail, particularly as the mode of synthetic aviation fuel Shell refers to is to take $CO_2$ resulting from combustion by carbon capture from elsewhere and converting it – by an energy intensive process – into a hydrocarbon. That is not a contribution to net zero.
That is merely using the same emission twice, whilst still resulting in an emission.
CCS has been given prominence for, inter alia, gas (methane) for power, hydrogen for home heating, hydrogen for ammonia production and hydrogen for steel making. All of these have non-fossil hydrogen alternatives. It should be noted that CCS for coal was heavily promoted as a way of maintaining coal demand, but never materialised with the phase out of coal on economic as well as emissions grounds. There

is the same risk with gas.

**In Progress BP:** BP has had less emphasis than Shell on Carbon Capture and Storage as a line of business. Developments in aviation fuels and biofuels need to be examined in more detail, BP's annual report suggests a different approach to Shell, being based not on fossil fuel derived carbon, but bio-ethanol, fats and oils. BP is also placing more emphasis on electric vehicle charging.
In our meeting, the company set out its views on the demand for low carbon energy, EV charging and biofuels. While information was provided about how it expects to pivot towards lower-carbon and renewable energy in the medium term, LAPFF will continue to seek to better understand both the scale of such revenues over the longer term and the longer-term impacts for investors of any attempts to transition from an "oil and gas" company to an "energy" company.

Further information on the Funds activities and polices can be found on our investment page.

East Sussex Pension Fund

## Engagement with policy Makers

### IIGCC

As a member of IIGCC, policy engagement undertaken in the quarter includes:

Labour's landslide victory in the UK elections is promising for climate action, but will their policies be investor-friendly enough?

July 2024

The Labour Party secured a sizeable majority of 400+ seats, which could be a pivotal moment in British politics to end a prolonged period of political and economic instability. Hopefully, it also opens the door to greater climate action.

While the Labour Party's emphasis in their manifesto and election campaigning on clean energy initiatives, green finance and nature conservation is promising, does it offer enough reassurance for investors? IIGCC's analysis considers how the Labour Party's manifesto compares to the five key pillars from IIGCC's Call to Action, highlighting key policy recommendations that investors hope to see from the next UK government.

Read the full article here.

**Decarbonising steel in Europe: How the right policies can speed up the net zero transition**
September 2024

The steel industry's green transition is vital for Europe's shift to a competitive and climate-neutral economy. A strategic and carbon-intensive sector, steel is responsible for 5% of the EU's total emissions. Improved policies are needed to decarbonise the industry in line with net zero.

Steel is a crucial product for other areas essential to building a clean economy, such as construction, transport, and energy infrastructure. Investors also see this as an opportunity for job creation and industrial innovation.

Read more in the article here

### LAPFF

As a member of LAPFF, policy engagement undertaken in the quarter includes the following:

CAHRA - UN Expert Group letter on Investor Liability in relation to Conflict-Affected Areas

On 20 June, a group of UN experts issued a statement outlining how companies, including defence contractors and investors, could be legally complicit in 'atrocity crimes.' The statement named the following defence companies as targets of concern: BAE Systems, Boeing, Caterpillar, General Dynamics, Lockheed Martin, Northrop Grumman, Oshkosh, Rheinmetall AG, Rolls-Royce Power Systems, RTX, and ThyssenKrupp. It named the following investors as needing to take action: Alfried Krupp von Bohlen und Halbach-Stiftung, Amundi Asset Management, Bank of America, BlackRock, Capital Group, Causeway Capital Management, Citigroup, Fidelity Management & Research, INVESCO Ltd, JP Morgan Chase, Harris Associates, Morgan Stanley, Norges Bank Investment Management, Newport Group, Raven's wing Asset Management, State Farm Mutual Automobile Insurance, State Street Corporation, Union Investment Privatfonds, The Vanguard Group, Wellington and Wells Fargo & Company. Following the publication of the statement, the Business and Human Rights Resource Centre wrote to the defence companies and investors named for comment

## United Nations Principles of Responsible Investment (UNPRI)

As a member of UNPRI, policy engagement undertaken in the quarter includes:

### United Kingdom

Joint letter to UK Prime Minister, Keir Starmer, from the CEOs of PRI, UKSIF and IIGCC, in which the three organisations urge the new PM to create a supportive policy environment in order to fully seize the economic, social, and environmental opportunities presented by the transition to net zero by 2050.

PRI response to the HM Treasury and Department of Work & Pensions Pension Investment Review call for evidence: The PRI welcomes the review which aims to strengthen the UK's economic foundations, ensure better retirement outcomes, and leverage the significant potential of the pension industry to support national growth. The PRI encourages incorporating sustainability considerations throughout the review, which presents an opportunity to ensure that upcoming pension policy development and reforms address the government's net zero commitments and align with the whole-of-economy transition, whilst also delivering better outcomes for pensioners.

### European Union

The PRI welcomes ESMA's efforts to standardise practices of how ESG factors are incorporated into credit ratings. The proposed amendments would address the needs of investors and other users of credit ratings for meaningful and comparable information on inherent ESG risks and opportunities. Our additional suggestions support this while ensuring the independence of credit rating agencies is maintained.

### Global

The PRI welcomes the development of the business and biodiversity assessment, and notes that many of the assessment's findings are in line with the PRI's views and observations.

## Global Investor Statement

To tackle the climate crisis, seven major groups have collaborated to pull together and elevate the best investor guidance on tackling the climate crisis. Together, these groups have formed the Investor Agenda, a common leadership agenda on the climate crisis that is focused on accelerating investor action for a net-zero emissions economy. Since creation this year, the Fund and half of its fund managers have signed the statement.

More details around the Global Investor Statement can be found here

## Activities and training undertaken directly by the Fund.

The Fund has undertaken the following activities during Quarter 3 of 2024.

### Fund manager meetings

During the quarter, the fund met with the below fund managers to discuss areas of concern. Priority areas that are discussed at these meetings are:

- Fund Performance (including risks to the fund and inflationary pressures)
- ESG (including management overview and follow ups to prior period engagements)
- Voting (what happens where votes contradict LAPFF guidelines, and challenge around votes taken)
- Others if applicable (e.g., fossil fuels, carbon intensity, portfolio emissions, and biodiversity)

| | | |
|---|---|---|
| 1. | IFM | Infrastructure |
| 2. | CBRE | Real Estate |

### Industry meetings, events, and training

- LAPFF Strategic Investment Forum (1-3 Jul)
- PLSA Local Authority Committee (4 Jul)
- LAPFF Business Meeting (10 Jul)
- LGC Symposium (10-12 Jul)
- CIPFA post-election webinar (16 Jul)
- Investment Strategy Day (17 Jul)

- ACCESS joint committee (9th Sep)
- LGC Investment Summit (11-13 Sep)
- Natural Capital Training (13 Sep)

# Third party supplier commitments

Along with its investment managers, the Fund also encourages its third-party providers to part take in the industry relevant responsible investments activities and groups, to promote and consider these items. An example of the supplier commitments and activities is provided below

## Barnett Waddingham (Fund Actuary)

As our fund actuary, Barnet Waddingham is responsible for performing high level calculations on our behalf, covering areas such as our valuation or IAS19 reports, and analysing the financial costs of risk and uncertainty.

Barnett Waddingham – Sustainability page available here

Barnett Waddingham is a founding signatory of the Net Zero Investment Consultants Initiative and is a member of the Pensions Climate Risk Industry Group (PCRIG). They also have a net zero pledge, with details on all the above being found under the attached link. BW have been net zero on scope 1 and 2 emissions since 2021.

## ISIO (investment advisory service)

Isio is responsible with providing us with investment advice, as well as reporting on our current investment and strategy. They also provide us with an annual ESG impact report to be able to see how our investments are performing from an ESG viewpoint.

Sustainability Beliefs can be found here: Sustainability Beliefs Pension investment consultants | Isio

Isio have adopted the Impact Investing Institute Impact Investing Principles for Pensions

## Northern Trust (Custodian)

Northern trust is responsible for taking care of the funds cash, alongside the money it has invested.

Northern Trust - Social Responsibility page - available here
Northern Trust - Latest Corporate Social responsibility report – available here

Northern trust have made the commitment to be net-zero carbon by 2050
See "Selected memberships and initiatives" page for external engagement.

## Eversheds (Lawyers)

Eversheds provide us with legal advice around all matters of the fund.

Evershed's - sustainability page – available here

Eversheds has committed to reducing its scope 1,2 and 3 emissions by 50% by 2030. In addition, they recently became a founding member of the Net Zero Lawyers Alliance, alongside being the first global law firm to be accredited by the good business charter. This charter is formed of ten commitments including Environmental Responsibility and Diversity & Inclusion

# LGPS Pooling

East Sussex are part of the ACCESS pool and all investment managers the fund invests in through the ACCESS pool need to comply with the ACCESS voting guidelines. Link to Access website here.

Link to Access Responsible Investment guidelines and summary report here.

Examples of what should be voted for and against below:

**Vote for**:

- Adoption of Report and Accounts unless Auditors Report is qualified.
- The annual report should include a separate section that describes the work of the Audit Committee.
- All directors should be subject to regular re-election, at least every three years.
- Long term incentive schemes should be based on challenging performance targets over a consecutive period of at least three years. Therefore, performance targets for minimum rewards should be based on at least producing median performance for the industry or average market returns.
- All political donations should be fully disclosed and justified. Any political donations should be subject to a separate vote.
- The company should publish a formal statement setting out its approach to dealing with environmental issues.

**Vote against**:

- The Report and Accounts are not considered to present a true and fair view of the company's financial position.
- The re-appointment of the auditors where the fees for non-audit work are material and exceed the fee for audit work.
- The election of an executive director, who is not subject to re-election by rotation at least every three years.
- Election of a chairman where the candidate combines the roles of Chairman and Chief Executive, unless there are exceptional circumstances e.g., a temporary arrangement, pending separation of the posts.
- Proposed dividend and special dividends which are not covered by earnings and the company offers no explanation of policy.
- Annual report, where significant environmental risks in relation to the company's activities are not disclosed or reported on or reporting is considered poor or inadequate.

# Manager Engagement and Voting Activity

## Longview (Active listed equity) Part of Access Pool

### Fund Manager collaborate engagement groups - links on page 43

- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 2 | 30 | 20 | 9 | 1 | 23 | 7 |

***Note:*** All data displayed is fund specific, not at fund manager level

### Engagement

Longview Partners - Responsible Investment & Engagement Policy

Longview currently send tailored ESG reports to ESPF each Quarter. Anonymised Q3 24 engagement examples provided to us are below:

**Company A**

In August 2024, Longview held a video conference call with Company A's VP of Sustainability and Head of Investor Relations to delve into the company's approach to assessing modern slavery risks in its supply chain and to obtain an update on Company A's deforestation strategy. This meeting followed earlier engagements in the year, during which we raised concerns about alleged forced labour issues involving two of Company A's suppliers that had been flagged by Longview's ESG data provider, Sustainalytics. Additionally, we had requested information regarding Company A's exposure to palm oil, given the commodity's link to increased deforestation risks.

During the meeting, we followed up on our previous concerns regarding the forced labour issues identified with Company A's two suppliers: Nekkanti Sea Foods, a major Indian shrimp exporter to the US, and Dalian Haiqing Food, which has been linked to North Korean migrant workers in Chinese seafood factories. Longview also highlighted the findings of the 2023 US Department of Labour (DOL) investigation, which had uncovered forced labour abuses at a California-based supplier.

Longview also enquired about a shareholder resolution addressing related issues that is set to be proposed at the next Annual General Meeting (AGM). The resolution calls for Company A to publish a report outlining the findings of an independent Human Rights Impact Assessment, covering the actual and potential human rights impacts on migrant workers within the company's supply chain in the US and Canada. We aimed to understand the company's views on this resolution.

Company A acknowledged the alarming discoveries of modern slavery within the industry and confirmed that the company is currently investigating the allegations related to both Dalian and Nekkanti. They have already suspended production with both suppliers, and are actively reviewing Company A's human rights policy, supplier code of conduct and auditing practices. Company A is also engaging with peers and coalition groups to align their approach with best practices and to help address these issues more effectively across the industry.

They explained that Company A has implemented significant changes, including an increase in the auditing window from 30 to 90 days and the adoption of the Sedex (Supplier Ethical Data Exchange) system for a more comprehensive risk assessment across the supply chain, particularly in the seafood sector, which often involves a chain of 5 to 7 suppliers. Company A confirmed that following the DOL investigation, they have broadened the scope of their risk assessment and auditing processes to include the US and Canada.

Longview enquired whether any of the above issues had been identified internally prior to the release of the reports. Company A acknowledged that their processes had not flagged these issues, and that the suppliers involved were suspended only after the allegations were made public. Longview then asked about Company A's general approach to assessing modern slavery risks and tracking progress. Company A explained that, with over 10,000 suppliers in their supply chain, they conduct third-party risk assessments for Company A-brand approved suppliers located in high-risk regions. Their practices align with the Corporate Sustainability Reporting Directive (CSRD) in Europe, which mandates disclosures on the impact of the company's operations on employees and workers across the supply chain. Their auditing procedures include measures such as conducting direct interviews with workers and ensuring helplines are easily accessible in break rooms. Company A's Modern Slavery Act Transparency Statement provides further details on their risk assessment procedures and supplier code of conduct.

On deforestation, Longview requested an update on Company A's EU deforestation policy, which the company had previously mentioned was being developed, along with their plans to broaden oversight through a global policy addressing these issues. Company A confirmed that they were making progress, and they expect to provide further information in their upcoming Sustainability Report.

Longview also enquired about Company A's views on the SBTi's new FLAG (Forest, Land and Agriculture) Guidance. The Guidance provides a framework for companies in land-intensive sectors to set science-based emissions reduction targets, taking into account the environmental impact of land use, deforestation, land degradation, and agricultural practices. Company A is currently evaluating the guidelines, and they believe these will be challenging for food distributors to implement. They are working with external experts to navigate these challenges.

Lastly, Longview requested an update on Company A's progress in promoting and using certified sustainable palm oil across its supply chain. By way of background, while palm oil is an ingredient in the products distributed by the company, they are not a manufacturer, except for their Guest Worldwide division, which produces soaps and lotions. Company A is a member of the Roundtable for Sustainable Palm Oil (RSPO), which establishes the global standards for sustainable palm oil production, and they report annually on their progress to the Annual Communication of Progress (ACOP) as part of their commitment to the RSPO.

Company A explained that they are working with their suppliers on the adoption of sustainable palm oil across the supply chain. They verify certifications, although traceability remains a significant challenge, making it difficult to track this across the entire chain; and they identify which suppliers still need to transition. In their 2023 ACOP disclosure, the company specified that the use of certified sustainable palm oil is a requirement in their product specifications and is mandatory for their private label products. Their data capabilities are also improving, so they expect to provide more accurate information on volumes in future reports and anticipate reporting larger figures.

Longview will review Company A's forthcoming Sustainability Report, which is expected to provide updates on some of the topics discussed during our engagement. We also intend to monitor the company's progress on mitigating and addressing forced labour issues and will re-engage with the company as needed.

## Newton (Diversified Growth Fund /Absolute Return) Part of Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- UN Global Compact
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 5 | 65 | 52 | 5 | 8 | 52 | 13 |

***Note:*** All data displayed is fund specific, not at fund manager level

### Engagement

[Newton – Responsible investment page - available here]

[Newton – Quarterly Reports - available here]

### Example ESG Engagement

**Goldman Sachs Group Inc**

**Relevance**

E - Climate transition risk and net zero strategy = Greater transparency around how the bank works with its clients in high-emitting sectors can provide investors with more confidence in the bank's ability to safeguard its loan book and help its operating model remain resilient.

E - Climate transition risk and net zero strategy = By setting sector-specific targets for reducing emissions, banks can have a phased-approach to transition, support the move towards a low-carbon economy and ensure long-term financial stability.

**Key Takeaways**

E - Climate transition risk and net zero strategy = Context:
Disclosures around its client transition framework (CTF) – process, engagement and escalation – remains opaque. We have been explicitly encouraging the bank to strengthen these disclosures since 2023.

The transition of high-emitting clients is important for the bank because it helps in a phased approach to wind down financing fossil fuels while balancing the current energy needs. High-emitting sectors face long-term structural challenges, transitioning these clients towards more sustainable practices can enhance their financial stability, in turn safeguarding the bank's loan book.

Takeaways:
- Under CSRD the bank has to enhance its reporting, especially around its existing plan and sectoral targets, and provide more quantitative data to describe its approach and process.
- The bank will need to provide disclosures under CSRD sooner than its regional peers, given the scope of its European business under the regulatory purview.

E - Climate transition risk and net zero strategy = Context:
Despite setting targets for three high-emitting sectors in late 2021, it has not set targets for any additional sectoral targets since then, falling behind peers which ramped up on their target-setting. Therefore, we have been explicitly encouraging the bank since 2023 to set further additional sectoral targets to ensure its overall plan remains robust.

Takeaways:
- Work has progressed this year on setting additional targets in that it has been considering the relevant sectors and exposures. It may have limited clients in some high-emitting sectors, whereas it may have more clients in sectors with a lower emissions profile, therefore it may make more sense to cover those latter sectors first.
- The bank would not commit to a timeline as its focus is on the enhanced reporting it has to provide under CSRD.

### Engagement Outcome

E - Climate transition risk and net zero strategy = While CSRD reporting should strengthen some of the reporting we would expect under its CTF, we reiterated our expectation for disclosure to go further to include details around its assessment of clients (ideally bucketed post assessment in high/medium/low risk groups as peers have done), engagement approach and escalation strategies.

E - Climate transition risk and net zero strategy = While the work on setting additional sectoral targets is ongoing, we reiterated to the bank the urgency of disclosing additional targets by next reporting cycle. We acknowledged that reporting under CSRD is challenging, however, we believe a bank of its size can sufficiently devote resources to manage both the tasks.

### Next Steps

E - Climate transition risk and net zero strategy = Monitor the bank's next TCFD report and reporting under CSRD. Absence of robust disclosures around its CTF in its next reporting will have negative implications for our engagement.

E - Climate transition risk and net zero strategy = Monitor the bank's next TCFD report and reporting under CSRD. Absence of robust disclosures around additional sectoral targets in its next reports will have negative implications for our engagement.

## Ruffer (Diversified Growth Fund /Absolute Return) Part of Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Sustainability Accounting Standards Board (SASB)
- Transition Pathway Initiative
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 3 | 57 | 47 | 10 | 0 | 47 | 10 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Ruffer – Quarterly Reports** available here

### Engagement

**Tesco**

OBJECTIVE: to track Tesco's efforts to steadily expand the proportion of Scope 3 emissions data provided by suppliers directly, rather than calculated using industry averages and secondary data sources.

At Ruffer, we advocate robust high-quality data disclosures. A complete GHG inventory is critical for investors to track performance against emissions reduction targets, to benchmark against peers and to assess whether companies are doing everything in their power to invest in the energy transition and reduce emissions. While we acknowledge the challenges associated with measuring Scope 3 upstream emissions, we think that supplier-specific data would give a more accurate picture of the company's footprint and help recognise its efforts to boost supplier engagement.

Currently, only Scope 3 upstream emissions from Tesco's liquid dairy segment are provided using direct supplier data, which is a very small part of overall emissions. The balance of its upstream footprint is calculated by applying Tesco's volumes to secondary emissions factors. Tesco acknowledged that measuring Scope 3 emissions is a challenge, particularly for agriculture and farming, and that a key focus was gaining comfort and confidence in the quality and robustness of its suppliers' data. Sustainable farming groups have been established across several different sectors, and these serve as a good starting point for collecting data. Tesco would like to see a minimum of two years' robust emissions data before considering a move to primary data sources.

OBJECTIVE: to understand Tesco's approach to biodiversity and what opportunities it sees in the space.

We recognise that farming practices are a serious threat to biodiversity globally, and we see Tesco as well positioned to effect change, given its scale. Sustainable agriculture and deforestation have long been areas of focus for Tesco, though only more recently have they been grouped under the umbrella of biodiversity.

There has been a shift towards thinking more systematically about the issue, with the introduction of the Taskforce on Nature-related Financial Disclosures and the evolution of data mapping and risk frameworks, which has reaffirmed Tesco's existing programmes. The company is working with farms to identify metrics to best measure biodiversity, collaborating with small and innovative partners to trial solutions. Together with farmers in the UK and Africa, it is looking at how to restore native vegetation and water in catchments heavily relied upon by Tesco and other retailers, which has yielded some interesting results.

OBJECTIVE: to learn more about the challenges Tesco faces in reducing plastic packaging/waste and the solutions that have been identified.

Plastic pollution is a major global issue that is increasingly causing customers to shift their behaviour. We think there could be a large opportunity for retailers that take significant steps to address plastics in packaging. In our discussions, Tesco firstly emphasised the role packaging plays in reducing food waste and highlighted its prioritisation of minimising food waste over reduced packaging – particularly relevant for fresh produce. Tesco's strategy is 'remove, reduce, reuse, recycle', and the ordering of each focus area is deliberate. Reuse was highlighted as a critical area to address the substantial portion of packaging that cannot be reduced further or removed altogether. Tesco has been trialling a pre-fill solution which has been educational, though it reiterated the need for a scalable reuse solution that can be applied across the industry to be effective. Another challenge is the lack of common recycling infrastructure across the UK, which makes it difficult to communicate the correct message to customers.

## Baillie Gifford Global Alpha Paris Aligned (Active listed equity) Part of the Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- FRC Stewardship Code 2020
- Climate Action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 7 | 107 | 98 | 8 | 1 | 98 | 9 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Resolutions voted on in quarter.**

[Baillie Gifford – Governance and sustainability (LGPS) – available here]

**Baillie Gifford voting policies and guidelines**

[Baillie Gifford  - Stewardship & Climate Documents – available here]

### Engagement

[Baillie Gifford - ESG information available here]

[Baillie Gifford - Quarterly reports available here]

Examples of engagement in quarter (as per Quarterly report)

### Datadog, Inc.

Objective: To understand how co-founder and chief executive officer Olivier Pomel envisions artificial intelligence (AI) may impact Datadog's business.
Discussion: Pomel believes that AI is accelerating the move from on-premise software to the cloud while increasing the complexity of cloud-based software. In his view, Datadog should benefit as companies will have a greater need to observe and monitor more complex cloud-based infrastructure and software. We explored with Pomel whether AI is shifting the value from writing code, which can be increasingly automated, to understanding, running, and securing code areas where Datadog's business model seems well-positioned.

We also considered whether AI could automate observability, potentially disrupting the core of Datadog's business model. However, there is currently no evidence from potential competitors that this is feasible, highlighting the complexity of the task. Meanwhile, Datadog is leveraging AI to enhance its product offerings, primarily by utilising its own observability data. This approach may further strengthen its competitive advantage.
Outcome: This was a thought-provoking conversation about the long-term vision for Datadog's business. Could software development become as much about observing and analysing AI models as it is about writing software? If so, is Datadog's long-term growth potential correlated closely with the advancement of AI? We will continue to monitor and reflect on such questions in the context of our long-term investment thesis.

### Ryanair Holdings PLC

Objective: This post-AGM visit to the company HQ included meetings with departments across the business. For board engagement, our aim was to better understand the skills of the new board appointees; for the sustainability team we were seeking clarity on decarbonisation planning especially with regards to sustainable aviation fuel (SAF); and for our meeting with the chief operating officer (COO), we wanted to explore supply chain disruption.
Discussion: The Chair justified recent board nominees in the context of operational execution. The sustainability team clarified SAF contracts and other measures targeting emissions reductions are embedded in their 2050 NZ plan. The COO introduced Ryanair LABS and discussed some of the supply chain bottlenecks currently facing the company.
Outcome: A thorough update on the business across operational, sustainability and supply chain matters. These meetings should help us better calibrate the opportunity in the next few years and boost our confidence that Ryanair has a tangible edge in sustainability versus its LCC peers and long-haul carriers.

## Storebrand Global ESG Plus (Passive listed equity)

### Fund Manager collaborate engagement groups - links on page 43.

- Carbon Disclosure Project
- Climate action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

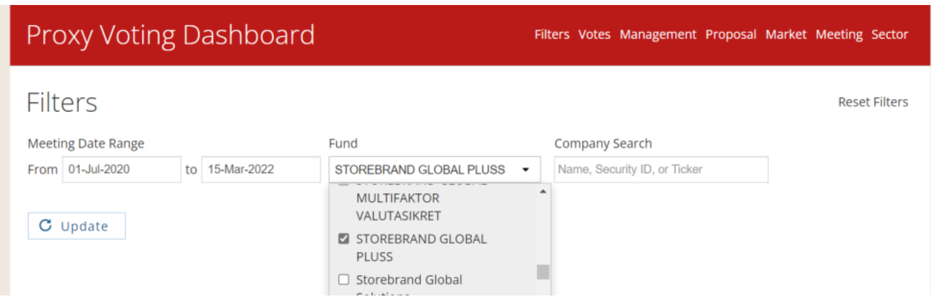
| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 40 | 578 | 558 | 16 | 4 | 553 | 25 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Resolutions voted on in the quarter:**

Storebrand – Proxy voting dashboard – available here

Note: Please select 'Storebrand Global Plus' in the 'Fund' dropdown box




**Storebrand voting guidelines and policies:**

Storebrand – Proxy voting policy – available here

### Engagement

Storebrand – Sustainability page available here

Storebrand – Quarterly Reports available here

No Company engagements aligned to our portfolio with Storebrand took place in quarter, however their quarterly investment report lists work they are doing behind the scenes. An example is below:

**Understanding Water Risk**

Water is a crucial factor for production, and its scarcity may lead to slower economic growth, with some regions experiencing a decline of GDP growth as much as 6 per cent by 2050, due to water-related losses. In addition to economic consequences, the loss of water may also lead to severe social consequences. As water becomes scarcer, food prices can spike, igniting conflicts and driving migration.

For the financial sector, water risk increases the exposure to water-stranded assets and other knock-on effects such as non-delivery of products to offtake partners, hedging mismatches, increased clean-up liabilities and fines, shareholder class actions, and consequences for financial relationships.

**Commitment to mitigation of water risk**

As an asset manager, we are committed to maintaining and strengthening biodiversity. We believe biodiversity and nature loss will affect the capacity of our long-term economic growth and is likely to have implications for long-term asset returns.
Protecting nature is therefore an integral part of Storebrand's commitment to sustainability. Nature is defined as all life on Earth (i.e. biodiversity), together with the geology, water, climate and all other inanimate components that comprise our planet.
Freshwater use is also one of nine planetary boundaries (environmental limits within which humanity can safely operate). Overexploitation and pollution are two of the main drivers regarding biodiversity loss. Storebrand's highest exposure to impact related to water is water pollutants and water use. Our highest exposure to water-related dependency risks stems from surface water and ground water.

**Our approach for collecting and analysing asset-location data**

As an entry-point, we used ENCORE to map companies with very high water-related impacts and dependencies in our portfolios. However, there is a need for a more specific risk assessments which utilizes company location data, as Encore has two important limitations. First, it only indicated direct linkages with nature, but these linkages in a large part are substantiated through the company's value chains. Second, Encore evaluates risks at sub-industrial level and does not account for company specific risks.

To achieve a more granular analysis, companies which were identified through Encore as having very high water risk, were included in the attempt of doing an asset-location screening with the Water Risk Filter from the World Wide Fund for Nature (WWF), a non-governmental organization founded works towards wilderness preservation and the reduction of human impact on the environment.

The Water Risk Filter is a portfolio-level screening tool which assesses three types of risks: physical risk, regulatory risk, and reputational risk. The location-specific data was retrieved from open-source datasets from the Spatial Finance Initiative (SFI). These geospatial datasets allow for the locating of individual physical assets and the linkages between financial instruments and the real economy, which can be aggregated at a portfolio level

[Read more in the quarterly report available here]

East Sussex Pension Fund

## Wellington (Active listed equity – impact fund)

### Fund Manager collaborate engagement groups - links on page 43.

- FRC Stewardship Code 2020
- Climate Action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 8 | 82 | 75 | 3 | 4 | 74 | 8 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Resolutions voted on in the quarter:**

Wellington – Global proxy voting disclosure – available here

**Wellington voting guidelines and policies:**

Wellington – Global proxy voting policy 2023 – available here

Wellington Sustainability related investment Disclosures October 2022 – available here

### Fund Overview

Actively managed equity fund which seeks to understand the world's social and environmental problems. The fund looks to identify and invest primarily in the equities of companies that Wellington believe are addressing these needs in a differentiated way through their core products and services. Through the investments, the fund seeks to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Wellington fund focuses on investing in the world you want to live in: focusing on investments that aim to achieve a positive social or environmental impact.

### Engagement

During the quarter, Wellington visited a new First Dolar (Alternative energy, US) manufacturing plant in Ohio. Wellington were impressed by the massive scale (1.8m square feet!) and efficiency (85 workers!) of the facility. Wellington experienced a very streamlines operation that relies on a heavily automated and lean labour force to generate a significant output. The company continues to focus on adding technology to existing panels to reduce costs and increase electricity generation. Wellington continues to be impressed by the company's technological prowess and clear geographic advantages but have kept a balanced position heading into the US election next month given the intense political scrutiny and headline risk on the alternative energy subsector.

Wellington engaged with Cleanaway (resource stewardship, Australia) management to discuss the long-term outlook.

Management believes the growth potential beyond 2026 is underappreciated by the market, and they are working on orienting investor to their longer-term targets. Meanwhile, the cultural turnaround taking place at the company continues apace, with restructured incentives across the operating yielding increased employee retention and engagement.

Finally, Wellington met with senior management at Veralto (Clean water and sanitation, US). The discussion underscored Wellington's conviction I the growth potential of their water quality business. Importantly, while the market has been focussed on capital allocation at this Danaher spin-co, Wellingtons discussion on the companies M&A pipeline left Wellington impressed with their discipline in contemplating its first foray into M&A as an independent company. These positive datapoints, along with the steady operating and earnings results and wellingtons continued constructiveness in the water space more broadly led them to add to their position.

## WHEB (Active listed Equity – Impact fund)

### Fund Manager collaborate engagement groups - links on page 43.

- Access to Medicines Foundation
- B Corps
- British Standards Institute
- Carbon Disclosure Project
- Chemical Footprint Project
- Climate action 100+
- EUROSIF
- FRC Stewardship Code 2020
- Future Fit Business
- Global Impact Investing Network
- Impact Management Project
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Net Zero Carbon 10
- The Big Exchange
- UKSIF
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Additional Information

WHEB were awarded Best ESG Global Equity Fund 2023 by MainStreet Partners, an ESG advisory and portfolio analytics firm

WHEB utilizes analysis tools to inform investors of the beneficial aspects of their investments. As of 30th September 2024, east Sussex has £226.8m invested in WHEB, which has resulted in:

73,036 MWh of renewable energy generated (equivalent to 6,351 European households)
47,859 tons of $CO_2$ emissions avoided (equivalent to the average yearly electricity use of 24,043 houses)
340.2m litres of water use avoided (equivalent to the water used by 5.56m showers)

### Voting

| Number of Vote-able meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 8 | 113 | 78 | 29 | 6 | 77 | 36 |

***Note:*** All data displayed is fund specific, not at fund manager level

### Resolutions voted on in the quarter:

[WHEB – detailed voting record – available here]

**WHEB voting guidelines and policies:**

WHEB – Stewardship and Engagement policy – available here
WHEB – RI policy – available here

## Engagement

[WHEB – Quarterly Reports available here]

[WHEB – Impact report available here]

### Engagement example: Daikin

#### Objective

For Daikin to exit from its business supplying white phosphorus containing weapons

#### Background

We sold our position in Daikin in the Resource Efficiency theme in Q4 2023. Daikin is a leading provider of high-quality, energy-efficient heating, ventilation and air conditioning (HVAC) solutions for the residential, commercial, and industrial sectors. The company has a long track record of profitable growth and developing innovative new products. Our investment thesis has been that it its energy-efficient HVAC solutions, would drive market share gains over time.

However, prior to divestment, we learned that the company is involved in the production of white phosphorus weapons. Weapons containing white phosphorus are widely considered to be controversial because of their incendiary characteristics. Having consulted with WHEB's independent Investment Advisory Committee, we decoded to include white phosphorus in our definition of banned and controversial weapons where we apply a 0% revenue threshold.

#### Actions

As mentioned, WHEB engaged Daikin on this matter with the aim of having the company exit the business supplying white phosphorus containing weapons. In our communication, we outlined both WHEB's own concerns, as well as those of our investors. We also explained that any company with any activity involving armaments and white phosphorus is a prohibited investment and that we would ultimately sell our position in Daikin if it remained committed to this activity.
Unfortunately, we were unable to get any reassurance that the company was thinking about exiting the business, and we sold our shares in Daikin in Q4 2023 and disqualified it from our investment universe.

#### Outcome

M4 – It was recently announced that Daikin has decided to exit the production and sale of artillery shells containing white phosphorus that it supplies to Japan's Ministry of Defence. While fulfilling existing orders through to the end of 2025, Daikin has stopped accepting new orders as of this year.

Although Daikin still faces several challenges, including an inventory surplus, rising global competition, and recent management disruption, this move signals a commitment to ESG priorities and addresses ESG concerns raised by WHEB and other stakeholders.

## Atlas (Infrastructure listed equity)

### Fund Manager collaborate engagement groups - links on page 43.

- FRC Stewardship Code 2020
- Climate Action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 3 | 64 | 64 | 0 | 0 | 64 | 0 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Resolutions voted on in the quarter:**

Atlas do not provide underlying quarterly voting information or their voting policy on their website. If required, this information should be requested directly from the fund manager.

Atlas – Environmental, social and governance – available here

**Atlas voting guidelines and policies:**

Atlas – Responsible investment policy – available here

### Engagement

Atlas - ESG Page available here

**Engagement Example taken from annual report:**

**American Electric Power Company**

Opened 11th October 2023

Environment - Climate Mitigation: ATLAS assesses the alignment of expected company emissions with Paris Agreement goals of limiting global warming to Below 2 Degrees and ideally, to within 1.5 degrees. Our initial assessment for AEP suggested misalignment on both measures.

**Engagement status:**
Open

**Engagement objectives:**

ATLAS' management requests:
• A commitment toward mitigating the expected increase in emissions from 2022-26 through resource procurement or system management. Ideally reducing emissions within the B2DS budget
• Continue to commit to, and invest for, retirement of coal plants between 2026-38. Demonstrate commitment with plans and investments for required alternatives

**Engagement outcomes:**

On 20th November 2023, ATLAS joined a CA100+/CERES led engagement meeting to speak with AEP management regarding their new annual emissions guidance to 2040 given at EEI 2023, and their public comments submission on the US EPA's proposed new power plant emissions rules. AEP does not expect to be materially affected by the EPA's proposed rules. The new annual emissions guidance results in around -38% cumulative emissions over 2024-40 by ATLAS estimates. This would bring the company -6% within a 2030 B2DS emissions pathway. ATLAS has incorporated these assumptions to the model base case but retained the engagement as open pending further confirmatory signals from regulatory filings and approvals.

**Investment impact / next steps**:

ATLAS considering exiting the engagement group and closing the engagement following exit from the position in Q1 2024

## UBS Osmosis Resource Efficient Core Equity (ex- Fossil Fuels) (Passive listed Equity) Part of the Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- Carbon Disclosure Project
- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Voting

| Number of Voteable meetings | Resolutions voted | Votes for | Votes against | Abstained/ Withheld/ Did not vote | With management | Against management |
|---|---|---|---|---|---|---|
| 22 | 350 | 320 | 30 | 0 | 321 | 29 |

***Note:*** All data displayed is fund specific, not at fund manager level

**Resolutions voted on in the quarter:**

UBS – voting record (Q1 2024) – available here

UBS Osmosis Achieved Environmental fund of the year 2021 for their listed equity portfolio.


### Engagement

UBS Sustainability page available here

UBS Annual Report available here

**Nike Inc**

Topic: Human Rights in Supply Chain

Nike's 2024 AGM included a shareholder proposal requesting the Company to publish a report evaluating how implementing Worker-driven Social Responsibility (WSR) principles and supporting binding agreements would impact the company's ability to identify and remediate human rights issues in sourcing from high-risk countries. The resolution was proposed following investor concerns regarding the viability of social audits at Nike suppliers, whereby one supplier in East Asia had 26 separate social audits showing no rights violations in the same year that an investigation utilizing WSR principles unveiled extensive wage theft, forced and excessive overtime, unsafe conditions and abuse.

The proponents argued that supporting worker driven responsibility binding agreements could help improve the industry, potentially reducing the risk of human rights abuses and labour issues in the future.

We met first with the proponents, who explained that Nike is involved in voluntary Corporate Social Responsibility (CSR) initiatives that may include a "worker empowerment" or "worker voice" component, but the scope of these voluntary CSR initiatives does not account for workers in the remediation process or include an enforceable mechanism to ensure access to effective remediation as prescribed by the UNGPs. The proponent argued that CSR is characterized by voluntary commitments, broad standards that often merely mirror local law, ineffective or non-existent monitoring, and the absence of any commitment to or mechanisms for enforcement. Instead, they argue, WSR labor rights programs in corporate supply chains should be worker-driven, enforcement-focused, and based on legally binding commitments that place responsibility for improving working conditions on the global corporations at the top of the supply chain. The proponents also pointed out that some of Nike’ s peers had already agreed to binding agreements under the WSR principles.

When we met with Nike, the Company responded that it had set stretching targets on human rights oversight for the period targets set for 2020 2025 and expanded the scope of its audit program to Tier 2 and distribution centres. Nike also explained that its suppliers are not allowed to contract out to other parties without visibility and agreement from Nike.
UBS decided to support the proposal, as we determined that Nike remains at the centre of allegations of human rights abuse and poor working conditions, and the report could help the Company to strengthen and make more efficient its oversight of labour rights across its global supply chain. At the 20204 AGM the proposal was supported by 12.3% of the votes cast.

The company did not previously participate in OGMP 2.0 or sign the Global Decarbonization Accelerator at COP28, despite wide industry participation. UBS engaged with Chevron in 2023 to discuss these gaps. In 2024, the company joined OGMP 2.0. UBS continued our engagement with the company in 2024 to assess progress on additional gaps. The company was unable to commit to any timeline to update its targets.

UBS continue to monitor the credibility of its climate transition plan and will follow up to discuss gaps in the plan.

## UBS Infrastructure Fund

## Fund Manager collaborate engagement groups - links on page 45.

- Carbon Disclosure Project
- Climate action 100+
- FRC Stewardship Code 2020
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Engagement

UBS Sustainability page available here

UBS Annual Report available here

**Phoenix Wind** Topic: Sustainability

Background and goals

Phoenix Wind Repower, LLC (Phoenix) owns and operates the 198 MW Trinity Hills, 132 MW Sherbino Mesa 2 and 53 MW Silver Star wind projects in Texas. UBS acquired the business with the aim of repowering the wind farms to add value to the asset.

Action

As part of their sustainability program, UBS sought to explore the opportunity to classify Phoenix as a 'Sustainable Investment' under the EU Taxonomy. UBS drew on expertise from an external consultant to complete a deep dive sustainability assessment. At the time, although the asset substantially contributed to climate change mitigation by virtue of generating renewable energy, it did not fully meet the 'do no significant harm' technical screening criteria.

To fully align with the EU Taxonomy and meet the 'do no significant harm' technical screening criteria, UBS developed an action plan which involved close collaboration between their Sustainability specialists, Portfolio Managers and Phoenix's management.

For climate change adaptation, UBS completed a physical risk assessment to ensure that any high risks had adequate controls in place. For sustainable use and protection of water and marine resources, and pollution prevention and control, there were no adverse impacts.

For protection of biodiversity and ecosystems, Phoenix conducted a Phase I Environmental Site Assessment (ESA), Spill Prevention, Control, and Countermeasure which covers oil spill risks and protected species (birds and bats). No major risks were identified, and none of the sites were deemed to be in areas defined as biodiversity-sensitive.

For circular economy, Phoenix had to assess the availability of and aim to use components of high durability and recyclability.

Phoenix's repowering activity in 2020 involved maximizing recycling of the decommissioned units. Electrical wire, copper, and other valuable components were stripped by electrical contractors and sent for recycling. Oil was drained and recycled or sent for energy recovery, and all fiberglass was recycled.

UBS also had to ensure there were minimum social safeguards in place and that good governance was being applied in the broadest sense. UBS worked with the Phoenix management team to consider how this could be implemented.

**Outcome**

As part of UBS's value creation activities, they successfully completed Phoenix's repowering with Vestas in 2020. This involved dismantling the blades and replacing them with newer blades that were almost 15% larger, as well as raising the height of the hubs by nearly 8%. These investments extended the project's lifespan, increased efficiency and supported more power generation over time. After repowering, the portfolio had a total capacity of 383 MW.

To support their goals around Sustainable Investments, UBS developed and implemented a strategy that qualifies Phoenix as a 'Sustainable Investment' under the EU Taxonomy. This means Phoenix meets advanced technical criteria for its approach to sustainability, with a substantial contribution to climate change mitigation.

## Schroders (Property)

### Fund Manager collaborate engagement groups - links on page 43.

- Carbon Disclosure Project
- Climate action 100+
- Institutional Investors Group on Climate Change (IIGCC)
- Net Zero Asset Managers Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Financial Reporting Council

### Engagement

Schroders - Sustainability page available here

Schroders - Quarterly sustainable reports available here

### Social Supported Housing - Coventry

SoHo funds the development of new-build specialised supported housing providing housing for vulnerable adults with complex care and support needs.

**Initiative**: SoHo has appointed The Good Economy (TGE) as Impact Adviser to the fund. They undertake an annual independent assessment of SoHo's impact performance. The assessment is based on both quantitative and qualitative data including EPC data, survey and interview data from the Registered Providers, Care Providers and residents.

We have provided an example case study of one of SoHo's operational assets in Coventry which was visited by TGE earlier this year and is included in their report for the Fund published in September 2024.
The Henley Road scheme is a block of 19 self-contained apartments, of which 16 are currently occupied.
The residents have a range of support requirements, including learning disabilities, autism and mental health needs.

TGE visited the scheme earlier in 2024 and their report on the scheme included the following aspects, which are extracted from their report which is available on request:

They observed that the scheme had been built to a high standard. The homes were spacious and well-finished, with each resident having their own self-contained apartment including bedroom, open plan kitchen and living area, and en-suite bathroom including a wet room. Each apartment contains an internal call system and support staff are on site 24 hours per day including waking night support.

The scheme's Care Provider, Radis, feel that the scheme serves the needs of the residents effectively and they have received positive feedback from both residents and their family members.

TGE noted some snagging issues, including issues with the plumbing, boilers and Wi-Fi access. Such snagging issues are common in new-build properties. The plumbing and boiler issues have now been resolved, while the Wi-Fi access is currently in the process of being resolved.

TGE heard that there is a high level of demand from Local Authority commissioners. Radis regularly receive inquiries from local social workers about vacancies at the scheme.

**Resident Feedback:**

Ian* moved to Henley Road in January 2024. Previously, he had been living in a shared living arrangement, however, he described his new home at Henley Road as “much better” than where he was before. He very much likes having his own space and stated that he wouldn’t change anything about the scheme. Ian’s family live locally and so his sister is now able to visit him virtually every day – another improvement compared to his previous home.

Mark* was one of the first residents to arrive at Henley Road in September 2023. Before moving in, he had been living in another supported living scheme, but says that he was lacking confidence. When asked to describe the difference his new home has made on his life, Mark said, “It has made me much happier in myself”. He had some minor issues with his apartment, but overall feels happier and safer and would like to remain living at the scheme for as long as possible.

*Names of residents have been changed for privacy purposes

CGI image of Henley Road, Coventry

## Infracapital (Infrastructure unlisted equity)

### Fund Manager collaborate engagement groups - links on page 43.

- Carbon Disclosure Project
- Climate action 100+
- Climate-wise Disclosures
- Financial Reporting Council
- ILPA Diversity in Action Initiative
- Institutional Investors Group on Climate Change (IIGCC)
- Investors Forum
- UK Sustainable Finance and Investment Association

### Engagement

Infracapital - Responsible Investment approach including ESG engagement available here

**Responsible Investment Update taken from Q3 2024 Management Report**

Across the portfolio, we continue to address material, business relevant inactivities to drive investor and planetary value. We have been actively working across key assets within the portfolio on the implementation of costed decarbonisation strategies, and will be publishing alignment to the institutional investors group on climate change (IIGCC) Net-zero investment framework for infrastructure 2.0 (NZIF)in our 2023 Annual ESG report. Noting the importance of shared learnings and leveraging best practice, we have formulated a supply chain risk working group across our energy transition assets with a particular focus on human rights risk & mitigation.

Additionally, we have sought to develop our publicly-available sustainability reports at select portfolio companies and look forward to sharing such reports imminently, as part of our commitment to greater transparency and accountability on sustainability related matters. We note the importance of standardisation and participate in GRESB for Infracapital Partners III. In 2024, we submitted Infracapital Partners III investments in GB Railfreight, Last Mile Infrastructure, Recharge and Neos Networks with an uplift on score across all assets, with total scores ranging from 88-95 / 100.

Turning to the charity Infracapital co-founded in 2019, the Infrastructure Industry Foundation (IIF). Over the course of the last two years, we have raised meaningful money to address social mobility. We are doing a drive as our charity partners desperately need support. We are looking for members in our industry to mentor a young person (15-18) in 2025. An hour a month can play a pivotal role in transforming the life of a young person. Members of both the Infracapital team and across our portfolio companies are already supporting our social mobility programme, driving impact nationwide.

## Pantheon (Infrastructure unlisted equity)

### Fund Manager collaborate engagement groups - links on page 43.

- Initiative Climate International (iCI)
- RepRisk
- Sustainability Accounting Standards Board (SASB)
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)
- Global Investor Statement

### Engagement

**Pantheon - ESG Page** available here

**Pantheon - ESG Reports** available here

Pantheon do not produce quarterly engagement reports; however, they do have a strict ESG Monitoring process both in securing investments and afterwards, including maintaining a log of ESG issues that are not dependent on themselves finding the issue, Customized monitoring on portfolio companies to track adverse ESG publicity, and utilization and provision of ESG metrics.

In addition, Pantheon are currently working to be able to report quarterly engagement through regular reporting. Engagement updates should be available in Q4 2024.

## IFM Infrastructure Fund

### Fund Manager collaborate engagement groups - links on page 43.

- United Nations Principles for Responsible Investment (UNPRI)
- Institutional Investors Group on Climate Change (IIGCC)
- Climate action 100+
- Global Real Estate Sustainability Benchmark (GRESB)
- Financial Reporting Council
- Net Zero Asset Managers Initiative

### Engagement

**Sustainability Reports available here**

**Engagement Example:** Sydney Airport

**Topic:** Environment – Climate Change

**Rationale:** IFM has significant experience investing and managing airport businesses through GIF as well as the Australian Infrastructure Fund (AIF). We see this as a key sector that will benefit from decarbonisation initiatives.

**What have IFM done:** In Q3 2024, IFM participated in a workshop with Sydney Airport to discuss opportunities for the use of electric Ground Service Equipment ("eGSE"), smart pilot-controlled pre-conditioned air terminals ("PCA") and lower emissions ground taxing support vehicles.

On 12 September 2024, the NSW Government announced that SYD's T1 International terminal will be the first location in New South Wales to offer Uber PIN technology.

**Outcomes & Next Steps:** Throughout the workshop held in Q3 2024, IFM and attending industry experts were able to draw on international experience, particularly from Europe, to explore significant considerations for the Australian airports, including:

- Appropriate funding models for eGSE and PCA;
- Safety and operational efficiency impacts of lower emissions taxi-support vehicles; and
- The role of SAF and Renewable Diesel in airport scope 3 decarbonisation.

The new dedicated kerbside Uber pick-up zone featuring Uber's PIN technology is available to passengers at SYD's International terminal and is expected to significantly reduce wait times, relieve congestion and improve pedestrian safety.

## M&G (Fixed Income) Part of the Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- Carbon Disclosure Project
- Climate action 100+
- Climate-wise Disclosures
- Diversity in Action Initiative
- Financial Reporting Council
- Institutional Investors Group on Climate Change
- Investors Forum
- UK Sustainable Finance and Investment Association
- Net Zero Asset Managers Initiative

### Engagement

**M&G - Sustainability page** available here

**M&G - Responsible Investment & Reports** available here

**Engagement Example – Capital One Financial Corp**

**Engagement Objective** – US financial company Capital One is set to acquire Discover Financial Services - which offers credit cards, student loans and banking services - at the end of 2024. As part of our due diligence, we wanted to ensure that Capital One's sustainability credentials were of a similar calibre to Discover's, and specifically we asked the company to set a scope 2 emissions reduction target (it currently has scope 1 and scope 3 targets), to publish its scope 3 category 15 emissions, and to include that in its scope 3 target.

**Engagement Result** – Capital One currently reports 100% renewable energy use, primarily through RECs with a degree of onsite, and as such felt that a scope 2 target was inappropriate. Having previously spoken with the Science Based Target initiative and its approach, which informed us that 'maintenance targets' could be set in these circumstances, we suggested that the company publish such a target to help ensure it would remain focused on renewable sourcing. It was not aware of maintenance targets, and said this would be considered. In terms of category 15 'financed emissions', the company informed us that it was currently in the second generation of estimating those emissions, and that it would be publishing the number once it was confident with the calculation. In terms of target setting, Capital One is primarily a consumer finance business, and reductions are dependent on consumer preference - it has made estimates on credit card use - while auto financing is primarily driven by the rate of change to EVs. While the commercial business is relatively small, it has also begun making estimates, but these clients are primarily middle market, often private companies, and disclosure can vary. Additional target setting would be considered, and we will follow up once the acquisition has completed.

**Action Taken** – M&G met with the company's head of climate and a member of the investor relations team.

**Yara International ASA**

**Engagement Objective -** To ask Yara, the global chemical company, to set Metrics and milestones to measure progress against 2025 and 2030 targets on specific abatement levers, update on the SBTi application process, Yara's position on Just Transition and Yara's policy advocacy mapping exercise.

**Engagement Result -** In terms of metrics and milestones to measure progress against 2025 and 2030 targets on specific abatement levers, Yara is concentrating on preparing for CSRD and waiting for projects to mature before giving granular information. There will be a transition plan in 2024 which will explain actions that can take place.

The options to reduce emissions from ammonia are : efficiency in production, carbon capture, changing feedstock and closing plants. Yara may be more active on portfolio management going forward and is trying to work out how to give guidance on capex and keep confidentiality at the same time. The capex budget is c.$200-300m but Yara is not disclosing green actions specifically. Policy makers can have a material effect on strategy eg IRA in USA. For downstream scope 3 emissions the obstacle is getting to primary data. Farmers are not currently incentivised to provide any data. If their customers ask for data then there is a chance the farmers will collaborate with Yara. Yara currently looks at soil data and climatic (precipitation) to work out emissions. It maps hot spots and then plan mitigation.

Yara's 2030 emission targets were submitted in 2022. Nitrate is treated as emitted by Yara (scope 1) and Urea is treated as a farmer emission (scope 3 for Yara), which SBTi want to be mitigated but there are no standards set for mitigation. SBTi expect a 70% reduction by 2050 and the 1.5c pathway is 12%. Yara thinks 12% is achievable but not 70%. Have encouraged experts to speak to SBTi and want CO2 and nitrous dioxide to be treated separately. Yara will publish its Transition plan before the AGM in March/April 2025. Scope 3 data has been prepared but not disclosed. Yara will do upstream emissions but don't currently have all the third party produced ammonia data. Yara has considered putting in a new target for 2035 but needs a framework to measure success.

On Just transition Yara has no formal principles apart from the OECD guidelines and on advocacy Yara has mapped 140 different organisations and spotted no red flags. Direct advocacy is considered as well. Yara will test the feasibility of doing an update to the mapping.

**Action Taken -** M&G with its NZEI co-leads, met with Yara's Head of Responsible Investment and Head of IR.

## Bluebay (Total Return Credit) Part of the Access Pool

### Fund Manager collaborate engagement groups - links on page 43.

- Climate action 100+
- Global Impact Investing Network
- IFRS Sustainability Alliance
- Responsible Investment Association
- UK Stewardship Code
- United Nations Principles for Responsible Investment (UNPRI)

### Engagement

Bluebay Responsible Investment and Climate Change policies available here

**Engagement Example – Brazil**

The Fund has had investment exposure to Brazil on and off for many years and conducts ongoing engagements including on ESG–related matters, with the government and other related stakeholders.

**2023 example: sustainable finance**: The government has started to issue ESG-labelled debt. In Sept. 2023, Bluebay met with representatives from the Brazilian Finance Ministry on their new Sustainable Bond Framework. Bluebay heard directly from the Debt Management Office (DMO) how they intend to deploy the framework to issue a use-of-proceeds bond to fund environmental and social projects. Their first priority is on green spending, particularly the elimination of illegal deforestation, but they have also identified social spending that could be allocated to reach a benchmark issuance size.

Key features of the included alignment of the framework with industry best practice (such as the ICMA principles), having an external second party opinion provider, and annual impact reporting which would also be externally verified. A permanent Sovereign Sustainable Finance Committee (SSFC) will plan, implement and monitor any green, social or sustainability bonds issued under the framework. Ahead of any issuance, the SSFC will publish details of the budget line items that are going to be financed with the proceeds.

**2024 example: deforestation:** In Q1 2024 Bluebay engaged with the Head of the Department for Deforestation and Fire Control Policies at Brazil's Environment Ministry. Bluebay noted his team's success in bringing down deforestation in the Amazon in 2023, estimated to be by c.50%. But Bluebay engaged on actions to reverse the opposite trend in the Cerrado, where deforestation climbed by a comparable amount the previous year.

Bluebay welcome efforts by Brazil to tackle deforestation, having continued to warn them of the importance of this for their ability to secure future financing. Improving enforcement actions and resulting improvement deforestation rates, along with greater policy focus on climate and nature will likely strengthen Brazil's ESG credentials.

## Adams Street (Private Equity)

### Fund Manager collaborate engagement groups - links on page 43.

- Initiative Climate International (iCI)
- RepRisk
- Science based targets Initiative
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Engagement

Adams Street - Responsibility page available here

2023 ESG Report available here

Every investment decision Adams Street makes is based on a careful analysis of both risk and opportunity. By integrating ESG considerations at every stage of the investment life cycle — from deal sourcing, through investment due diligence, to portfolio construction, and reporting and monitoring — they can better identify opportunities for risk mitigation and long-term value creation in their investments.

During the quarter, Adams Street engaged with 19 GPs to which East Sussex currently has exposure through their Adams Street portfolio. The nature of these interactions were as follows:

- 14 due diligence calls
- 5 operational due diligence calls
- 11 advisory board meetings

## Harbourvest (Private Equity)

### Fund Manager collaborate engagement groups - links on page 43.

- Diverse Alternative Investment Industry Statement
- Diversity in Action Initiative
- Initiative Climate International (iCI)
- Taskforce on Climate Related Financial Disclosure
- United Nations Principles for Responsible Investment (UNPRI)

### Engagement

**Harbourvest – Annual ESG report** available here

**Harbourvest – TCFD progress report** available here

**Engagement Update (from 2024 ESG Report)**

**Climate Solutions: A case study**

2023 witnessed a surge in the global deployment of clean technologies: For the first time, wind and solar added more to the global energy mix (in EJ) in 2023 than any other source. Continued advancement of renewable technologies in terms of cost efficiencies, driven by natural maturation of business models as well as by government incentives, have driven record capital inflows to clean technologies.

Notably, the first wave of projects into which private infrastructure investors have deployed capital have begun to reach operational maturity, and the earliest GPs to raise funds dedicated to the sector have begun to reach their harvesting stages. As a secondary investor, the opportunity set to deploy capital alongside these GPs, often in the form of continuation funds or co-investments, has never been more attractive.

As an example, in March 2024, the HarbourVest Infrastructure team invested in a multi-asset secondary portfolio of seven utility-scale solar and storage projects in the southwestern United States through Quinbrook Infrastructure Partners.

**Investment characteristics**

• A compelling mix of operating and de-risked near-term development opportunities.

• Generating low-cost renewable electricity in the U.S. Desert Southwest where the resource is abundant and capacity factors are highest in the country.

• Management team has a combined 28 years of experience operating utility-scale solar plus battery storage assets.

• Changes to tax regulations resulting from the Inflation Reduction Act (IRA) allowed for the conversion of investment tax credits (ITCs) to production tax credits (PTCs), which are expected to result in an additional $60 million value uplift in 2024, enhancing returns for the investment.

• At the time of underwriting, the portfolio was expected to represent 2,707 MW of solar power generation capacity and 8,280 MWh of storage capacity.

One of the benefits to investing in the energy transition via secondaries is the ability of an investor to monitor the development of the underlying business over several months, sometimes years. In this case, HarbourVest was able to monitor the construction of the investment from 2022 to 2024, gain confidence in the eventual execution of PPAs for several of the underlying solar and storage platforms, and ultimately transact at a valuation that was favourable to buyers relative to the interim appreciation the team observed.

# Fossil Fuel Exposure by Fund Manager

The fund actively monitors the fossil fuel exposure of its fund managers to allow for engagement when we feel that these values are of concern. The below table lists fossil fuel exposure as of 30th September 2024

| Fund | Mandate | Exclusion | % Fund Assets | % Fossil fuel exposure of total fund value |
|---|---|---|---|---|
| UBS Osmosis | Equity - Passive - Resource Efficient | Fossil Fuel free | 8% | 0.0% |
| Longview | Equity - Global | | 10% | 0.0% |
| WHEB | Equity - Sustainable Global | Fossil Fuel free | 5% | 0.0% |
| Baillie Gifford | Equity - Global | Fossil Fuel free | 4% | 0.0% |
| Wellington | Equity - Sustainable Global | Fossil Fuel free | 5% | 0.0% |
| Storebrand | Equity - Passive - ESG Plus | Fossil Fuel free | 10% | 0.0% |
| Harbourvest | Private Equity | | 4% | 0.0% |
| Adams Street | Private Equity | | 3% | 0.0% |
| Ruffer | Absolute Return | | 9% | 0.4% |
| Newton | Absolute Return | | 7% | 0.0% |
| Schroders | Property | | 7% | 0.0% |
| ATLAS | Infrastructure Equity | | 2% | 0.1% |
| Pantheon | Infrastructure | | 2% | 0.0% |
| UBS | Infrastructure | | 1% | 0.1% |
| M&G | Infrastructure | | 1% | 0.0% |
| M&G | Fixed Income - Private Debt | | 1% | 0.0% |
| M&G | Fixed Income - Multi Asset Credit | | 4% | 0.0% |
| M&G | Fixed Income - Corporate Bonds | | 3% | 0.0% |
| Bluebay | Total Return Credit | | 3% | 0.0% |
| UBS - Over 5 Year IL Gilt | Fixed Income - Passive Index Linked Gilts | | 5% | 0.0% |
| IFM | Infrastructure | | 5% | 0.3% |
| Cash | Cash | | 1% | 0.0% |
| **Total Assets** | | | **100%** | **1.0%** |

# Engagement Group Links

Access to Medicines Foundation

B Corps

British Standards Institute (BSI)

Chemical Footprint Project

Climate Action 100+ (CA100+)

European Sustainable Investment & Finance Association (EUROSIF)

Financial Reporting Council Stewardship Code (FRC)

Future Fit Business

Global Impact Investing Network

Global Real Estate Sustainability Benchmark (GRESB)

ILPA Diversity in Action Initiative

Impact Management Project

Initiative Climate International (iCI)

Investors Forum

Local Authority Pension Fund Forum (LAPFF)

Net Zero Carbon 10

Net Zero Asset Managers Initiative

RepRisk

The Big Exchange

Transition Pathway Initiative (TPI)

Sustainable Accounting Standards Board

UK Sustainable Investment & Finance Association (SIFA)

UN Global Compact

United Nation Principals for Responsible Investment (UNPRI)